



# OLR RESEARCH REPORT

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## **OLR BACKGROUNDER: WHEN I'M 64: SOME POLICY IMPLICATIONS OF AN AGING CONNECTICUT**

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This report updates OLR report [2010-R-0453](#).

### **SUMMARY**

While demographers project that Connecticut's population will grow slowly over the next few decades, the composition of the population will change significantly as the baby boom generation ages and retires. This report discusses some of the policy implications of an aging Connecticut.

While much of the discussion of an aging population at the national level has focused on Social Security and the provision of pensions and health care, this report addresses some of the implications of demographic change on the economy, housing, and transportation. In some ways, aging will present an unprecedented challenge, as the number of retirees relative to active workers increases dramatically. The housing stock and transportation systems cannot change as quickly as the population they serve. On the other hand, the changing demography will increase demand in certain industries and may support economic growth.

### **POPULATION CHANGE AT THE NATIONAL LEVEL**

Social scientists seldom make long-range predictions with confidence. However, one of the clearest social trends is the aging of the population. In the next few decades, America's population will age significantly, creating an age structure with roughly equal numbers of people in every

age group. The age picture of the country is beginning to look more like a pillar than the pyramid of the past. The largest factor behind this trend is the aging of the baby boomers.

Nationally, the population of individuals 55 to 64 years old grew by 50% during the last 10 years according to the Census Bureau. This leading edge of the baby boom generation will contribute to massive growth rates in the 65-and-over population in the next two decades. The size of the 65–74 cohort is already beginning to skyrocket as the first wave of baby boomers turns 65. In 2011, the oldest boomers began turning age 65 and currently 10,000 boomers turn 65 every day. The Census Bureau projects that from 2010 to 2020 the number of people aged 65 to 74 will increase by at least 10 times the projected 5% increase in the adult population ages 18 to 64 in the same period.

According to a 2010 study by the Brookings Institution:

...boomers' impending seniorhood carries important implications not just for themselves or even the nation as a whole, but also for the specific places where they will live, and the other portions of the population (such as children) with whom they will share those communities. The aging of the baby boom generation is noteworthy not only because of its large size, but also because its members' social and demographic profile contrasts sharply with earlier generations at retirement age. Boomers possess more education, have more women in the labor force, are more likely to occupy professional and managerial positions, and are more racially and ethnically diverse than their predecessors. At the same time, their higher rates of divorce and separation, lower rates of marriage, and fewer children signal the potential for greater divisions in seniorhood between those who will live comfortably, and those who will have fewer resources available to them.

The study is available at <http://www.brookings.edu/metro/StateOfMetroAmerica.aspx>.

In addition, growth in the population over 75 will be particularly pronounced due to increasing life spans. In 2000, there were 18.3 million people in the United States aged 65 to 74, of whom approximately 12.8 million (69.9%) survived another ten years, reaching ages 75 to 84, according to the Census Bureau. Brookings anticipates that of the 31.8 million baby boomers who are projected to be 65-74 in 2020, 75.2% will

survive for another ten years. The numbers are even more dramatic for the oldest age group. Of 12.4 million people aged 75-84 in 2000, approximately 49.3% were alive in 2010. Of 15.5 million people projected to be 65-74 in 2020, Brookings expects 61.2% to live past 85.

Demographic trends vary geographically. The Brookings study projects that while the Sunbelt will see the largest growth in the elderly population:

...slow-growing metropolitan areas, mostly in the Northeast and Midwest, will age as well, amid slow growth or even decline in their younger populations. ... As a result, large senior populations in these metropolitan areas could be comprised of disproportionately older individuals who are less well-off financially or health-wise. They may require greater social support, along with affordable private and institutional housing, and accessible health care providers.

Within metropolitan areas, central cities and inner ring suburbs in areas that have suffered economic and demographic decline are likely to house disproportionate numbers of disadvantaged elderly people. These include individuals who are 85 and older, widows and widowers, female heads of household, low income households, and individuals with disabilities. The graying of society is already most notable in the suburbs. Currently, almost 40% of suburban residents are 45 or older, compared to 35% in large cities.

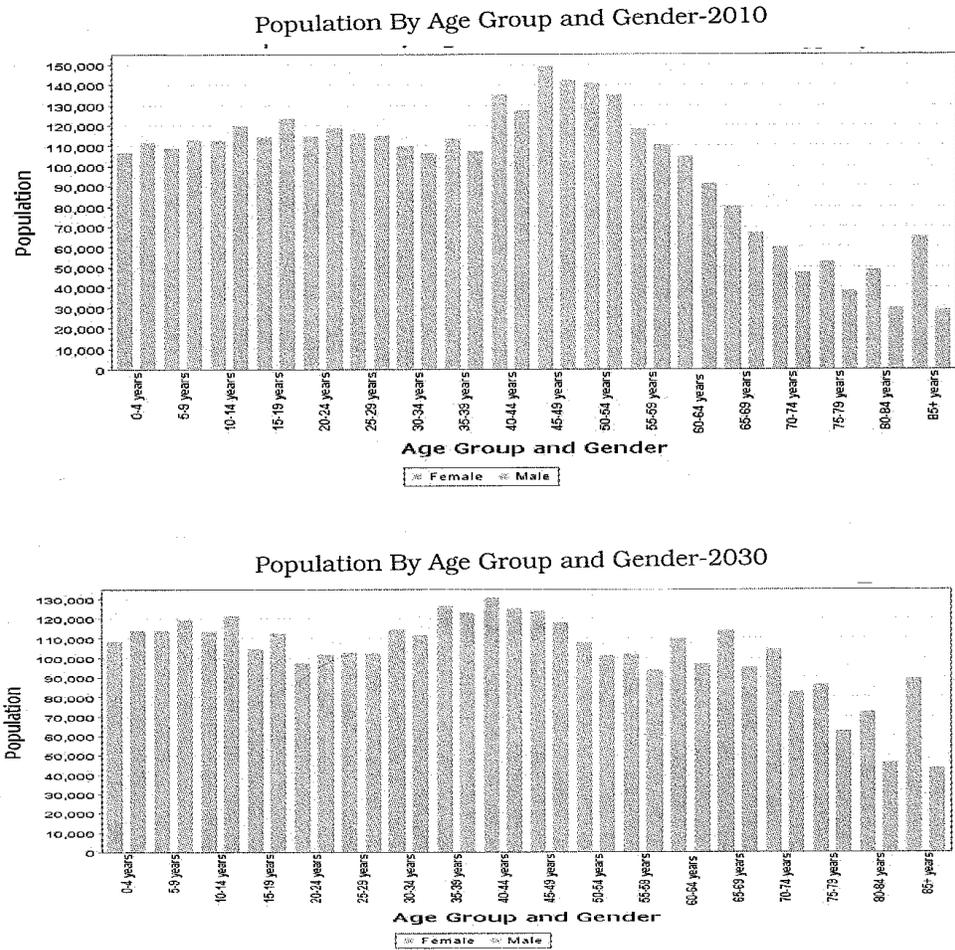
There are also gender differences in demographic trends. The older population, particularly the oldest age group, is disproportionately female. This will continue to be true as the baby boom generation reaches retirement age. For example, the MetLife Mature Market Institute estimates that nationally there will be 2 million more women than men aged 65 to 74 by 2020 (see [http://www.metlife.com/mmi/research/index.html?WT.ac=GN\\_mmi\\_research](http://www.metlife.com/mmi/research/index.html?WT.ac=GN_mmi_research)).

## **POPULATION CHANGE IN CONNECTICUT**

Connecticut's population is older than that of the country as a whole. Currently, 14.4% of Connecticut's residents are 65 or older, the ninth highest proportion in the country. Connecticut is one of only seven states with a median age over 40. The U.S. Census Bureau projects that the proportion of residents over 65 will increase to 21.5% by 2030 (compared to 20% of the population nationally). Currently, there are 24 elderly residents per 100 residents aged 20 to 64 years old in Connecticut. The Connecticut State Data Center projects that this proportion will increase

to 30 in 2020 and 40 in 2030. Figure 1 shows this aging graphically, indicating the distribution of the population by five-year cohorts by gender in 2010 and 2030 (the column on the left of each cohort is the number of females and the column on the right is males).

**Figure 1: Connecticut Age Structure 2010 and 2030**



Source: Census Bureau

As the figures indicate, there will be a decline in the number of young adults under 30. But there will be a substantial increase in the population 65 and older. As is the case nationally, a disproportionate share of the elderly will be women, particularly in the oldest cohorts.

## **ECONOMY**

The 2008 Connecticut Economic Research Center (CERC) annual research and policy conference focused on the fiscal implications of economic and demographic change. A presentation by CERC's vice-president, Jeffrey Blodgett, argued that as the population ages and retires:

1. the personal income tax base will shrink,
2. retail sales will decline due to age-related purchasing patterns,
3. demand for age-related public services will accelerate,
4. demand for public education will abate,
5. there will be fewer skilled workers available for employers, and
6. the dependency ratio (the ratio between retirees and workers) will become less favorable.

The potential retirement of much of the baby boom generation may increase outmigration and the number of houses for sale, further weakening sales prices and equity appreciation.

Moreover, according to Blodgett, the continued shrinkage of the 18 to 34-year-old cohort presents a serious challenge to Connecticut's long-term competitiveness and growth. This challenge is compounded by the growing proportion of young workers, particularly those from the urban centers, who have low skill levels. The presentation is available on-line at [http://www.cerc.com/images/customer-files/CERC\\_ResearchReport\\_09.pdf](http://www.cerc.com/images/customer-files/CERC_ResearchReport_09.pdf).

UConn's Connecticut Center of Economic Analysis provided a similar analysis in May 2012. It notes that the state has failed to create net new jobs for more than two decades, leaving it unable to retain many of its own young adults or attract significant new population. As a result, the state now confronts a rapidly aging population, with the cohort age 65 and over increasing, its working age population shrinking, and its dependency ratio (the ratio of the working age population to the those under 18 and over 64) soaring. Similarly, a 2012 analysis by Orlando Rodriguez of the advocacy group Connecticut Voices for Children projects that if current trends in income disparities for racial and ethnic groups in the state persist, the average per capita income for Connecticut's working age population will decline by 8.6% by 2030.

## **Workforce Issues**

Historically, the rate at which individuals participate in the workforce declined sharply during their 60s. According to the Bureau of Labor Statistics (BLS), in 2008 over half of men aged 62 to 64 were working, compared to about one-third of men aged 65 to 69; the gap was approximately the same for women.

It appears that this phenomenon may be changing. In 1985, fewer than 11% of all people age 65 and older remained in the workforce; today, the figure is about 16%, and it is expected to rise to 22% by 2018 according to BLS. The “Great Recession” led to a widespread loss of jobs, a decline in investment values and returns, and sharp losses of home equity. Due to the recession, many older workers plan to remain in the workforce longer than they had originally planned or to seek full- or part-time positions after retiring. According to a 2010 survey (<http://www.towerswatson.com/assets/pdf/2717/TowersWatson-Retirement-Pt2-Attitudes-NA-2010-17683.pdf>) prepared by the consulting firm Towers Watson, 40% of U.S. workers are planning to retire later than they expected in 2008.

A 2010 study by the Federal Reserve Bank of San Francisco noted that:

many factors potentially explain the recent increase in older-worker labor force participation. People in this age group increasingly are able to delay retirement because they are healthier and longer lived than previous generations of older workers. They have an incentive to work longer in order to build assets in defined-contribution pension plans and to qualify for larger Social Security benefits. And the rapid growth of health-care costs and decreased availability of retiree health benefits push older people to continue working in order to get health insurance, at least until they are 65 and eligible for Medicare <http://www.frbsf.org/publications/economics/letter/2010/el2010-27.html>.

According to the Family and Work Institute (FWI), 20% of workers age 50 and older have fully retired from their careers but are working for pay in a new position. A study based on data from FWI’s 2008 National Study of the Changing Workforce found that money is not the only motivation for continuing to work; 31% of people working in a

second career report that they are working to stay active, and 18% say they want to contribute and be productive. In fact, less than one in five report working in retirement due to insufficient income. The study is available at

<http://familiesandwork.org/site/research/reports/workinginretirement.pdf>.

According to a study by the FWI and the Sloan Center on Aging & Work, 75% of workers aged 50 and older expect to have retirement jobs in the future. A 2010 MetLife Mature Market Institute study estimates that 75% of working women in the first half of the baby boom generation and 60% of such men have white-collar jobs that are less physically demanding than other jobs, which will facilitate older workers staying in the workforce. The study is available at <http://www.metlife.com/assets/cao/mmi/publications/studies/2010/mmi-early-boomers.pdf>.

The interest of older workers in remaining in the workforce or starting second careers poses both opportunities and challenges for the economy. The Social Security Administration has projected that labor force growth at the national level will average 0.8% per year from 2012 through 2021 and 0.5% thereafter, compared to an annual growth of more than 2% a generation ago. This implies a relatively stagnant economy unless the growth in labor productivity accelerates. The impact of an aging population on the size of the labor force will be especially pronounced in Connecticut and other New England states because birth rates and the rates of people migrating into the region are lower here than in other parts of the country.

The continued employment of older workers could expand the size of the workforce and support expanded economic growth. In 2006, the economist C. Eugene Steurle predicted that:

in the first half of the twenty-first century, older Americans aged 55 years or more are going to occupy the position that women occupied in the last half of the twentieth century—the largest pool of underutilized talent and human capital in the economy.  
<http://www.bos.frb.org/economic/conf/conf52/conf52h.pdf>

Continued employment could also provide social and psychological benefits for the seniors who continue to work, as suggested by the FWI study. Research by the think tank Encore.org in late 2011 showed that as many as 9 million people ages 44 to 70 are in second careers that combine personal meaning and continued income, up from an estimated 8.4 million in 2008 (<http://www.encore.org/EncoreCareerChoices>). The movement of aging boomers into such second careers could also help the solvency of the Social Security Trust Fund.

While these data suggest that an increasing proportion of boomers may continue working after 65, they should not be overstated. According to a 2012 study by MetLife, almost twice as many 65-year-olds in 2011 stated that they were fully retired as were working full-time (45% versus 24% respectively). Of those still working, over one-third anticipated that they would retire in the next year, when they turn 66 and are eligible for full Social Security retirement benefits.

Moreover, continued employment of older workers could impede economic opportunities for younger workers and place downward pressure on wages and salaries for all workers. It could also lead to generational tensions in the workplace. As importantly, it is not clear that the economy can create the number and types of jobs that older workers might desire.

### ***Aging and the Workplace***

To the extent older workers remain in the workforce, both they and their employers will face challenges. Across industries, older workers face the onset of diseases, memory problems, and medication side effects. Older workers also may find it more difficult to learn new skills. Their reaction times slow down, their balance is affected, and their vision and hearing quality decrease. Older workers are commonly injured on the job by falls, which can be attributed to poor balance, slowed reaction time, visual deficits, or lack of concentration. Sprain or strain injuries also are common and may be brought on by loss of strength, endurance, or flexibility. Additionally, older workers may be more sensitive to overexertion, temperature, lighting, noise, and ergonomic issues. Employers, including the state, may need to make accommodations for their older workers to keep them safe, such as wellness programs, job analyses, and ergonomic evaluations to protect the aging workforce.

## HOUSING

More than 90% of people age 65 and older live in their own home or apartment as opposed to group quarters such as nursing homes. The proportion of elderly living in their own place varies from 95.6% for people aged 65 to 74 to 89.4% for those 85 and older. The vast majority of such individuals are very satisfied (67%) or somewhat satisfied (21%) with their living arrangements (see <http://www.pewsocialtrends.org/2009/06/29/growing-old-in-america-expectations-vs-reality/>).

According to the Census Bureau, homeownership is more common among the elderly than the non-elderly. Nationally, among the elderly the homeownership rate is highest for the 65-74 year olds, and declines moderately with age. Even the oldest age group, those 85 and older, has a home ownership rate of 70.5% according to the 2009 American Community Survey, higher than the national average of 65.9%. An increasing elderly population should, other things being equal, increase the proportion of the population that owns its housing. At the same time, income inequality is greater among seniors than it is among younger households. This suggests that the difference between renters (who generally have lower incomes) and owners may become an important issue in the debates over adjusting policies to accommodate a population that contains more seniors, both in absolute numbers and as a share of the population.

There has been discussion in the press that a substantial share of older homeowners would “downsize” after their children left the home, moving to smaller, easier to maintain condominiums or apartments. But most boomers want to stay in their current homes. According to the 2012 MetLife study, the vast majority (83%) of respondents surveyed in 2011 have no plans to move from their current residence. This percentage is significantly higher than in studies conducted by MetLife in 2007 and 2008 (75% and 78%, respectively).

Part of this attitude may be due to economics. Adults ages 65 and older are the most likely to believe that homeownership is the best long-term investment a person can make, according to a 2011 study by the Pew Research Center. About 48% of this older cohort agree with this statement, compared with 39% of those age 50 to 64; 32% of those age 30 to 49; and 35% of those age 18 to 29. Seniors are also least likely to be “underwater,” i.e., have mortgages that exceed their home’s market

value. Even among those looking to move, older Americans generally seem to favor housing that is very like the housing they chose when they were younger—single-family detached houses (see [http://www.huduser.org/Publications/PDF/demographic\\_trends.pdf](http://www.huduser.org/Publications/PDF/demographic_trends.pdf)).

Some analysts warn of an end to a “generational bubble” in the housing market as the baby boom generation ages. This generation has been a dominant force in the market for decades, driving up housing demand and prices since they began to buy homes in the 1970s. As this generation ages, it is possible that it may make many more homes available for sale than there are buyers for them, since the next generation of prospective homebuyers is smaller than the baby boom generation. Nationally, adults are more likely to sell rather than buy homes after they turn 65 (based on 2000 census data), but this “cross-over point” varies markedly by state. Connecticut was one of only five states where this cross-over point occurred before age 60, as of 2000.

There will be winners and losers in any correction to the generational housing bubble. Older homeowners may see reduced sales prices and see their homes stay on the market for longer periods, complicating retirement plans. The decline in housing values can also reduce property tax revenues. On the other hand, declining values could improve housing affordability for younger households and make it easier for renters to buy homes.

## **TRANSPORTATION**

### ***Transportation Alternatives***

Most seniors, including the oldest, rely primarily on cars for their transportation needs. According to the National Household Travel Survey, people over age 65 make nearly 90% of their trips in a car, over 45% driving alone. Even those over age 85 make 80% of their trips by car, driving half the time.

The use of cars by the elderly may increase in the future as the proportion of older women without licenses decreases and the overall health of the elderly population continues to improve. As late as 1997, there was a 25% difference between the proportion of men and women age 65 and older who held drivers’ licenses, but it appears that difference will fade over the next few decades.

At the same time, increases in longevity mean that large numbers of older adults will need alternative means of transportation for substantial periods toward the ends of their lives. The number of years drivers can expect to drive is shorter than average total life span. As the population ages, there will be more people living past their driving years. This period is longer for women than men. For example men aged 70-74 were predicted to have a life expectancy that was 6.2 years longer than their predicted driving life expectancy; for women of the same age the difference was 9.4 years. These differences are due to (1) the longer average life expectancy of women and (2) the fact that women tend to stop driving sooner than men. AARP anticipates that the number of older non-drivers will increase by about 15% by 2025. Other factors that may increase demand for non-auto alternatives are (1) decentralization of population within metropolitan areas; (2) increasing reliance on non-institutional care and outpatient treatment as an alternative to nursing homes and hospital care; and (3) economic and social trends that reduce the ability of family, neighbors, and community services to provide transportation. The study is available at [http://assets.aarp.org/rgcenter/post-import/2004\\_17\\_transport.pdf](http://assets.aarp.org/rgcenter/post-import/2004_17_transport.pdf).

Generally, as a population ages it makes less use of public transit, as seniors are less likely to be employed and using transit for work trips. In addition, retired baby boomers are likely to stay in their current homes. According to the 2010 census, approximately 72% of the population over age 55 lives in suburban or rural areas, most of which have limited access to public transit. On the other hand, as people age they are more likely to become disabled, suggesting increased demand for dial-a-ride and other forms of paratransit. A 2006 study prepared for the Transportation Research Board found that the aging population increased the projected demand for paratransit in the Hartford area in 2015 by 30%. Such increased demand may strain community-based services for the elderly and people with disabilities, as well as the medical transportation system.

Overall, an aging population could decrease demand for traditional public transportation but increase demand for other forms of alternative transportation.

### ***Highway Safety***

The Federal Highway Administration (FHWA) notes that older people can be expected to have problems as drivers and pedestrians, given the changes in their perceptual, cognitive, and psychomotor abilities. The ability to drive safely and effectively decreases with age due to changes in

vision, hearing, reaction time, and motor ability, as well as due to the indirect effects of disease and medications. There are specific age-related factors that affect particular parts of the highway system. For example, the age-related phenomena that contribute most to older drivers' difficulties at expressway interchanges include loss in vision and information-processing ability, as well as decreased flexibility in the neck and upper body. As a result of the latter factors, many older drivers rely solely on mirrors to check for gaps in traffic and slow or stop to look for a gap. In addition to causing accidents, this has a negative effect on traffic flow.

FHWA issued a manual addressing highway design issues raised by an aging population, available on-line at [www.fhwa.dot.gov/publications/research/safety/humanfac/01103/](http://www.fhwa.dot.gov/publications/research/safety/humanfac/01103/). It recommends that state and local highway officials consider a wide range of highway modifications to address the needs of older drivers, particularly in areas where many elderly live or where the elderly are particularly likely to become involved in accidents. Among the specific recommendations are increasing the size of signs, changing the location of signs to provide more warning, and modifying the design of expressway on- and off-ramps.

The manual notes that the single greatest concern in accommodating older drivers and pedestrians is their ability to negotiate intersections. For drivers 80 years and older, about half of fatal crashes occur at intersections, compared with 23% or less for drivers age 50 or younger. Thirty-eight percent of pedestrian deaths among people age 65 and older in 1998 occurred at intersections. Drivers age 60 and older have more difficulty making right and left turns and responding to traffic signals. Among the highway design features that become more salient to drivers as they age are lighting, pavement marking, and number of left-turn lanes at intersections, as well as width of travel lanes. These factors become increasingly important with age, even among seniors. For example, one study found that 77 year old drivers had more difficulty than those between age 66 and 68 following pavement markings, finding the beginning of the left-turn lane, and driving across intersections. Similarly, the level of difficulty for reading street signs and making left turns at intersections increases as seniors age.

While senior drivers have a slightly higher than average rate of crashes per mile driven, they tend to drive less and thus their crash rate per capita is lower than the non-elderly population. In addition, per capita crash rates for older people are currently fairly low because they self-regulate, e.g., avoiding congested areas, left turns, or driving at night. It is unclear that future generations of older drivers will self-

regulate as much. Having spent their entire lives with the flexibility and convenience of the car, they may be less willing to change their driving habits if doing so impedes their lifestyle. If older drivers in the future fail to avoid problematic situations or engage in riskier behavior, their per capita crash rates may well increase despite greater driving experience.

### **KEY INTERNET RESOURCES CITED**

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